

## Message Text

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ORIGIN ARA-14

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-05 H-02 INR-10  
L-03 NSAE-00 NSC-05 PA-02 SP-02 SS-15 ICA-20  
EB-08 COME-00 TRSE-00 OMB-01 AID-05 /093 R

DRAFTED BY ARA/CAR:DPIERCE:KC  
APPROVED BY ARA/CAR:DPIERCE  
-----102865 241714Z /43

R 241619Z MAY 78  
FM SECSTATE WASHDC  
TO AMEMBASSY BRIDGETOWN

UNCLAS STATE 131948

E.O. 11652: N/A

TAGS: BB, PR, EINV

SUBJECT: NEW PUERTO RICAN INDUSTRIAL INCENTIVES PROGRAM

REF: (A) 124443 (B) BRIDGETOWN 1164

1. THE PROPOSED INDUSTRIAL INCENTIVE PROGRAM OF PUERTO RICO INCLUDES PARTIAL TAX EXEMPTION AND OTHER INCENTIVES TO ENCOURAGE INVESTMENT IN MANUFACTURING INDUSTRIES, SOME SERVICE INDUSTRIES, AND HOTELS.

2. THE PARTIAL TAX EXEMPTIONS ARE FROM 90 PERCENT IN THE FIRST 5 YEARS AND 75 PERCENT THE SECOND FIVE YEARS. FURTHER EXEMPTIONS IN PRIORITY LOCATIONS OF LOWER DEVELOPMENT OR OUT ISLANDS RANGE FROM 65 TO 50 PERCENT FOR THE THIRD FIVE YEARS TO AS MUCH AS 50 PERCENT FOR THE FIFTH FIVE YEAR PERIOD. THE EXEMPTION WILL APPLY TO BOTH CORPORATE INCOME AND REAL AND PROPERTY TAXES. THE FIRST \$100,000 OF ASSESSED PROPERTY VALUE IS TAX EXEMPT, AS IS THE FIRST \$100,000  
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ANNUALLY OF INDUSTRIAL DEVELOPMENT INCOME.

3. GROSS RECEIPTS ARE EXEMPT FROM MUNICIPAL TAXES. QUALIFIED MANUFACTURING FIRMS CAN RECEIVE A 5 PERCENT PAYROLL DEDUCTION TO REWARD HIGH WAGE AND HIGH EMPLOYMENT OPERATIONS.

4. REINVESTMENT INCENTIVES:

REPATRIATION OF ACCUMULATED EARNINGS CAN TAKE PLACE AT ANY TIME WITH A 'TOLLGATE' CHARGE OF 10 PERCENT. IF 50 PERCENT OF THE EARNINGS ARE REINVESTED IN DESIGNATED INVESTMENTS FOR 5 YEARS, THE 'TOLLGATE' CHARGE IS 5 PERCENT. FOR REPATRIATION AT THE END OF THE TAX EXEMPTION PERIOD, THE 'TOLLGATE' CHARGE IS 4 PERCENT. PRESENT TAX EXEMPTIONS MAY BE CONVERTED TO THE NEW SYSTEM AT REDUCED 'TOLLGATE' REPATRIATION CHARGES.

5. ADDITIONAL SPECIAL EXEMPTIONS ARE OFFERED FOR APPAREL AND LEATHER INDUSTRIES, AND FOR INDUSTRIES PROVIDING SERVICES OUTSIDE PUERTO RICO.

6. FULL TEXT OF PROPOSED INDUSTRIAL INCENTIVES PROGRAM FOR PUERTO RICO BEING POUCHED. CHRISTOPHER

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 jan 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FOREIGN INVESTMENT, INDUSTRIAL INVESTMENTS, TAX RELIEF, INCENTIVES  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 24 may 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 jan 1960  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Document Number:** 1978STATE131948  
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**Drafter:** DPIERCE:KC  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
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**Previous Handling Restrictions:** n/a  
**Reference:** 78 BRIDGETOWN 1164  
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**Subject:** NEW PUERTO RICAN INDUSTRIAL INCENTIVES PROGRAM  
**TAGS:** EINV, BB, RQ  
**To:** BRIDGETOWN  
**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014